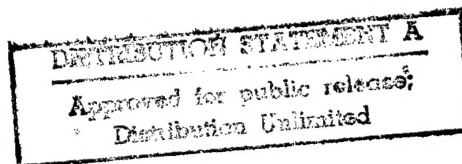


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# China Report

ECONOMIC AFFAIRS

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24 February 1986

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NATIONAL POLICY AND ISSUES

VICE MINISTER ON PROGRESS OF URBAN REFORM

OW302154 Beijing XINHUA Domestic Service in Chinese 1140 GMT 30 Jan 86

[By reporter Yu Youhai]

[Excerpts] Beijing, 30 Jan (XINHUA)--The reform of China's urban economic structure has entered a new situation. It has now begun important shifts from experiments at selected localities to practice throughout the country, from reforming microeconomic activities to reforming macroeconomic activities, and from reforming the economic base to reforming the superstructure.

This is what He Guangzhui, vice minister of the State Commission for Restructuring Economic System, told a meeting of the central departments concerned today. He said at the meeting: Our reform of the urban economic structure, which focuses on invigorating enterprises, can be roughly referred to in two stages. Before the 3d Plenary Session of the 12th CPC Central Committee in October 1984, it was in an exploration stage. Since that plenary session adopted the "Decision of the CPC Central Committee on reform of the Economic Structure," it has entered a new stage of all-around reform.

Information provided by various localities shows that after enterprises obtained added power of decision and substituted tax payment for profit delivery, the system of economic responsibility which simultaneously gives consideration to their responsibility, power, and benefit is being perfected. Thanks to the reform measures taken by the state, large and medium-sized enterprises which previously displayed little vigor have become more vigorous. Sixty-one cities are carrying out a comprehensive reform of their economic structure in conjunction with the reform of their enterprises. We have taken an important step in reforming the price and wage systems. To various extents, we have also reformed the structures of commerce, materials management, and planning. He Guanghi analyzed the situation that held that in the last few years, particularly last year, our strides in reform were bigger and our achievements in reform were better than expected. We also held that we have won the first battle and that China's urban economic structure is undergoing five major gratifying changes:

1. The system of ownership in China which was in the past basically a unitary system of public ownership unsuitable to the development of the productive forces is gradually becoming a system for common development of socialist

public ownership and diverse economic forms and operations, with the socialist public ownership as its main body. In the last few years, while we have kept the state-owned economy in a dominant position, we have rapidly developed the collective and individual economies in both urban and rural areas, and we have also developed Chinese-foreign joint ventures and enterprises with exclusive foreign investment. In addition, some organizations with different ownership systems have entered into partnership in running economic associations.

2. In their relationship to the state, enterprises have begun to change from being subordinate to administrative organs to being relatively independent commodity producers or marketers. Some enterprises have changed from being producers to being both producers and marketers.

3. In the market, such practices as the mandatory state purchase, unified state purchase and marketing, rationing, and planned distribution, have begun to become purchase by contract, buying and selling at negotiated prices, free purchase and marketing, and other forms of business transaction.

4. In economic relations, the situation of being closed to foreigners and of division and blockade among various departments and region is changing towards an open economy.

5. In the management of macroeconomic activities, we are reforming the traditional, highly centralized management system which mainly relies on administrative measures. We have reduced the scope of mandatory planning, and we have brought into better play the role of finance, taxation, banks, and other economic levers and legal means. We have gradually streamlined economic management departments at all levels, delegated more power to the power levels, and readjusted and consolidated some administrative companies. As a result, the management that mainly relies on direct control has begun to become a management which mainly relies on indirect control.

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CSO: 4006/678

PROVINCIAL AFFAIRS

BRIEFS

YUNNAN RESIDENTS FAVOR REFORMS--Kunming, January 29 (XINHUA)--A recent statistically valid survey in Yunnan province in southern China found most city residents in favor of China's recent economic reforms and opening to the outside world. Local officials said here today 92.4 percent of the 3,735 surveyed support the reforms and 91.9 percent want the country to continue its open policy. Both were begun in 1979. According to those surveyed, the top three urban problems are price increases, the quality of service in commercial and public enterprises and crime, the officials said. The survey was conducted by the provincial statistics bureau among a primarily urban population from mid-December last year to early this month. Those surveyed include workers, engineers and technicians, scientists and experts, athletes, government officials, college students and self-employed workers. [Text] [Beijing XINHUA in English 1651 GMT 29 Jan 86 OW] 12624

CSO: 4020/209



ECONOMIC PLANNING

HEBEI PLANS TO DEVELOP MOUNTAINOUS, COASTAL, UPLAND AREAS

SK290848 Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 15 Jan 86

/Text/ Following the decision made by the provincial CPC Committee and the provincial People's Government with regard to developing the mountainous, coastal, and upland areas, the relevant provincial-level departments and bureaus have conducted earnest study and made work arrangements in a short period of time.

On 15 January, the principal responsible comrades of the 26 departments and bureaus respectively delivered their reports before the leading personnel of the provincial People's Government with regard to their concrete opinions on developing the mountainous, coastal, and upland areas and helping backward areas become wealthy.

In his report, the responsible comrade of the provincial Communications Department put forward that during the implementation period of the Seventh 5-Year Plan, efforts should be made to thoroughly revamp the highways of the mountainous, coastal, and upland areas and to have more than 80 percent of the townships throughout the province enjoy passenger bus service.

The provincial Finance Department will establish funds at the provincial level for developing these areas, will appropriate a certain volume of funds each year for helping poor households, and will give preferential treatment in agricultural tax exemptions and reductions to poor townships.

In his report, the responsible comrade of the provincial Agriculture Department, while referring to the issue of formulating plans for agricultural crops, stated: A good job should be done in concentrating on readjusting the production structure in these areas, and centering on the popularization of 23 agricultural technological items in order to meet the needs of developing the economy in these areas.

The provincial Scientific and Technological Association has made good preparations for successfully holding training classes for 3.15 million middle school graduates in these areas in order to enable each one of them to master practical new techniques.

The provincial bank and the provincial agricultural bank pledged to vigorously support these areas to develop their economies.

In addition, units of the provincial Forestry Department, the provincial Public Health Department, the provincial Commerce Department, the provincial Metallurgical Department, and the provincial Civil Affairs Department also made their work arrangements for this purpose.

After hearing their reports, Comrade Li Feng praised the leading personnel of the departments and bureaus who had taken early steps, gone into quick action, and put forward concrete opinions and measures in a short period of time for developing these areas. This represents a favorable change in leadership workstyle. He urged the leading cadres of various units to seize an opportunity to visit these areas in order to learn about the people's conditions and the practical problems of the masses.

In referring to the issue of implementing their measures, Comrade Li Feng pointed out: Efforts should be made to properly take up the work in a down-to-earth manner, to implement the measures one by one, and to deal with problems one by one. In developing the mountainous, coastal, and upland areas, we should take steps in a down-to-earth manner and with a far-reaching view. We should exert all-out efforts to support the development of these areas in the fields of manpower, financial sources, and material supply. In conducting new projects for development, we should take shortcuts as much as possible in order to invest less in them and to turn out more profits.

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CSO: 4006/656

## AGGREGATE ECONOMIC DATA

### COOPERATION BOOSTS HUNAN RURAL INDUSTRY

OW230927 Beijing XINHUA in English 0752 GMT 23 Jan 86

[Text] Changsha, January 23 (XINHUA)--Earnings from rural industry in Hunan province, central China, jumped 47.5 percent in 1985 thanks to the growing inter-regional and inter-departmental cooperation.

The growth rate is higher than the national average of 35 percent. China's rural enterprises produced an output value of 230 billion yuan last year.

At a recent meeting, vice-governor Cao Wenju said that the cooperation helps make better use of funds, technology and personnel.

He commended the provincial capital of Changsha, where 49 urban enterprises cooperated with 108 rural factories to manufacture 267 products, increasing the output value to 130 million yuan.

The rural enterprises acquired 1,995 technicians, 16.6 million yuan and 385 machines through the cooperation while offering worksites, labor and profits-sharing with their urban counterparts.

While helping peasants increase their incomes, urban enterprises have also expanded production scale and spare efforts to develop new and competitive products through cooperation.

For example, Changlegang village in Changsha county used to grow only rice, sweet potatoes and hot peppers in the past while rich deposits of tin ore lay idle nearby.

The village and a geological institute in Changsha set up a factory last July. With techniques and equipment provided by the institute, the villages produced 250 tons of finished ore worth 400,000 yuan.

After recovery of investment, the village shared profits of 100,000 yuan. The 40 families in the village averaged an additional income of 1,300 yuan.

When the provincial embroidery factory lacked female labor last year, it signed contracts with a nearby town.

The 700 rural women, processing supplied materials in their homes, helped the factory complete export tasks in time while earning about 40 yuan per capita each month

Rural enterprises in Hunan have also set up ties with Beijing and Shanghai, and the Xinjiang Uygur autonomous region.

Yiyang prefecture in Hunan has developed 304 new products, increasing output value to 50 million yuan and profits to 13 million yuan thanks to cooperation with other provinces and regions.

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AGGREGATE ECONOMIC DATA

BRIEFS

JILIN TOWNSHIP ENTERPRISES--Township enterprises in Jilin Province developed continuously during the "Sixth 5-Year" Plan period. The output value of these township enterprises increased by 2.5 times in the 5 years, averaging a 28.9 percent increase annually. The output value in 1985 is expected to reach 3.58 billion yuan, a 31.1 percent increase over 1984. By 1985, the total number of the township enterprises of the province had reached 147,000, with a staff of 790,000 people, accounting for 22.1 percent of the total labor force in the rural areas. [Summary] [Changchun JILIN RIBAO in Chinese 7 Jan 86 p 1 SK] 12624

HEBEI TOWN ENTERPRISES--in 1985 a total of 4.65 million peasants in Hebei Province worked for town and township enterprises. The annual total income of the town and township enterprises amounted to 15 billion yuan, 4.26 billion yuan more than that of last year. [Summary] [Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 4 Jan 86 SK] 12624

GANSU SUPPLY, MARKETING SYSTEM--The province's supply and marketing system did well in supporting peasants in developing production in 1985. According to statistics, in 1985, the province's supply and marketing system purchased goods worth a total of 1.6 billion yuan, sold goods worth a total of 1.7 billion yuan, and achieved a profit of 54 million yuan, hitting all-time highs in the three targets. [Summary] [Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 24 Jan 86 HK/ 12228

LIVING STANDARDS UP FOR TIANJIN--Tianjin, January 27 (XINHUA)--Living standards are improving for Tianjin urban families, according to a survey by the municipal statistical bureau. The survey of 1,000 families in urban Tianjin showed that the average annual income last year was 812 yuan per person--a 21 percent increase over 1984. With price increases deducted, the average income per person was 7 percent higher than 1984. The average living expenses per person was 771 yuan, a 29 percent increase over 1984, or a 13.6 percent increase in real terms. [Text] [Beijing XINHUA in English 1905 GMT 27 Jan 86 OW] 12624

CSO: 4020/209

ECONOMIC MANAGEMENT

HEBEI PROCURATORIAL ORGANS HANDLE ECONOMIC CASES

SK290836 Shijiashuang Hebei Provincial Service in Mandarin 2300 GMT 9 Jan 86

/Text/ Our province's procuratorial organs at all levels, in the course of dealing blows to criminal offenses, have also considered dealing blows to economic offenses as their important task. As of November 1985, the procuratorial organs at all levels throughout the province had accepted and heard 2,509 economic cases of various descriptions, of which 1,161 cases have been investigated and handled, thus recovering more than 1.19 million yuan in economic losses for the state and the collectives.

In the struggle against serious economic offenses, the procuratorial organs at all levels throughout the province have focused their work on dealing blows to economic offenses in the grain, banking and supply and marketing departments as well as in using false trademarks, and have placed their main direction of attack on major and appalling cases. They have concentrated their leader, strength, and time on solving each and every economic crime by applying systems engineering theory. They have also closely integrated the work of dealing blows to crimes with guarding against crimes, investigated and blocked all loopholes in the course of handling cases, analyzed the reasons for the crimes, and conducted activities on offering suggestions for investigations.

The procuratorial organs in Shijiazhuang Prefecture have closely coordinated with the relevant departments in the course of handling economic criminal activities in the grain departments. Through handling cases, they have summed up the four major links in the economic offenses of the grain departments, which have aroused the great attention of the relevant departments and stimulated progress in the work of comprehensively tackling economic criminal problems.

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CSO: 4006/656

ECONOMIC MANAGEMENT

HEBEI ACHIEVEMENTS, PROBLEMS IN GENERAL ECONOMIC CHECKUP

SK290833 Shijiazhuang HEBEI RIBAO in Chinese 16 Jan 86 p 1

/Excerpts/ With the help and guidance of the general checkup work group of the State Council, and the concerted efforts of the provincial, prefectural, city and county leaders at all levels and the relevant departments, our province has scored fairly good achievements in the tax, financial, and price general checkups. From July to 10 December 1985, the province as a whole discovered an illegal sum of 307.9 million yuan, of which 196.4 million yuan should be returned to the state treasury. Of this sum, 123 million yuan has been restored to the treasury. Of the illegal sum, 129.9 million yuan came from tax evasion and appropriation of funds for energy development, of which 85.8 million yuan has been returned to the treasury; and 178 million yuan came from violations of financial discipline, of which 69.7 million yuan should be returned to the treasury. So far, about 37.7 million yuan has been restored to the treasury. During this period the province discovered 7,912 cases concerning violations of price policies, and the total sum from economic sanctions reached 12.91 million yuan.

At present our province's tax, financial, and general price checkup has three problems. First, it has developed unevenly. Shijiazhuang, Xingtai, Cangzhou, and Baoding Prefectures and Shijiazhuang, Tangshan, and Handan cities started the work fairly quickly and grasped it firmly. They have achieved fairly great results, and the illegal funds discovered by each of them exceeded 20 million yuan. Handan and Shijiazhuang cities as well as Shijiazhuang and Cangzhou Prefectures each returned more than 10 million yuan to the treasury. Some localities started the work fairly late, and the progress of the work is slow and the results poor.

Second, the progress of restoring illegal funds to the treasury is slow. As of 10 December 1985, the province had restored to the treasury only 62.9 percent of the illegal funds which should be restored. The rate of restoring funds to the treasury in some localities and cities was even less than 50 percent.

Third, some localities have failed to strictly implement policies.

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ECONOMIC MANAGEMENT

COMMENTARY URGES IMPROVING ENTERPRISE MANAGEMENT

OW200032 Beijing XINHUA Domestic Service in Chinese 0747 GMT 18 Jan 86

[XINHUA commentator's article: "Make Great Efforts To Improve Enterprise Management"]

[Text] Beijing, 18 Jan (XINHUA)--A leading comrade of the State Council has pointed out that our technology and management are backward; that of the two, management is the more backward; and that we should make great efforts to improve enterprise management. His opinion conforms to the reality of China's economic work, and he has pointed out the way to further improve our economic work during the Seventh 5-Year Plan period.

After a comprehensive rectification and a preliminary reform since the 3d Plenary Session of the 11th CPC Central Committee, we have improved our enterprise management work. Generally speaking, however, the level of our enterprise management is still low. Backward enterprise management remains an important reason for poor product quality, high material consumption, and low economic efficiency in China today.

Some of our enterprises have equipment and technology as good as those of economically developed countries, but, due to backward management, our enterprises' economic efficiency is much lower than that of their foreign counterparts. Improving Enterprise management is our urgent task during the Seventh 5-Year Plan period.

Of course, our country lags behind economically developed countries in equipment and technology as a whole. Many of our comrades clearly know this fact and are striving to narrow the gap, but they do not fully know how backward our management is. A modern large-scale production needs comparably modern management. If our management is not improved, we will be unable to coordinate effectively the workers' work and bring into full play their initiative, wisdom, and creativity. Neither will be able to organize production rationally, enhance the overall effectiveness of enterprises, and produce maximum products of good quality with minimum labor and material consumption. To stress high productivity, good product quality, and high economic efficiency without emphasizing scientific management is only empty talk.



Generally speaking, there are three ways to increase production and improve efficiency. One is to rely on capital construction, the second is to undertake technological innovations and transformations and the third is to improve enterprise management. To meet our present situation, we should readjust our capital construction investment structure, strictly control the scale of capital construction, and undertake more technological innovation and transformation projects. However, we should put more emphasis on improving enterprise management. Improving management is less expensive and yields faster results than building capital construction projects and undertaking technological innovation and transformation. Therefore, we should mobilize the cadres and workers of the vast number of enterprises to work hard with one heart and one mind to raise China's enterprise management to a higher level.

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ECONOMIC MANAGEMENT

HUBEI GOVERNMENT HOLDS WORK CONFERENCE ON PRICE INSPECTION

HK310253 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 20 Jan 86

/Text/ On 18 January, the province held a work conference on large-scale price inspection, at which it urged all localities to grasp and accomplish, in an indepth and down-to-earth manner, the task of price inspection.

(Wang Xinrang), leader of the State Council work group; and (Wang Jianfeng), deputy secretary general of the provincial government, attended and spoke at the conference.

The conference deemed that the inspection work the province did in the second stage was serious and solid. Through this inspection, the province has promoted work in the areas of controlling the growth rate of the retail price index; checking the situation of price hiking or doing so in a disguised way, checking the arbitrary levying of charges; stabilizing market prices; and protecting customer's interests.

The conference pointed out that a problem of recent price inspection work is that development is not even. Some people did not thoroughly understand the importance of price inspection. Some carried out the work superficially and did not really solve the problems, so that those units concerned re-engage in malpractices once the inspection is over. Some still face knotty problems, while others treated cases concerning violations of discipline lightly.

The conference urged that all localities must further heighten their understanding, and strengthen their leadership over inspection work. In connection with the centralized planning of the State Council office for large-scale taxation, financial and price inspection, as well as the requirements of the provincial office for large-scale price inspection, they should grasp firmly and well, price inspection at the third stage. They must do well in supervising and inspecting prices during the spring festival, and adopt measures for strengthening price supervision both over markets and individual peddlars. The commercial departments should maintain an abundant supply of goods, so as to meet public demand during the season.

The conference also urged all localities to strengthen propaganda work and prepare public opinion. They should organize the forces of society to do well in this large-scale inspection with high quality.

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ECONOMIC MANAGEMENT

YUAN BAOHUA ON EXAMINATION OF FACTORY DIRECTORS

OWO20931 Beijing XINHUA Domestic Service in Chinese 1454 GMT 31 Jan 86

[Text] Beijing, 31 Jan (XINHUA)--Yuan Baohua, vice minister of the State Economic Commission, said that persistent efforts should be made to introduce a system of unified examination for the training, selection, and appointment of managers and directors of factories (mines) so as to raise the quality of our enterprise leading cadres and the level of management and operation.

Yuan Baohua pointed out today at the fourth National Work Conference on Unified Examination for Managers and Factory Directors: At present, factory directors are tested for the purpose of "making up missed lessons." Thanks to the readjustment in recent years, members of the readjustment in recent years, members of the leading bodies of many enterprises have become younger and more knowledgeable. However, there are relatively more technological cadres in the new leading bodies and management expertise is wanting. Some enterprise leaders still do not know how to operate our enterprises in accordance with socialist management principles, styles, and methods in the new period. Some enterprise responsible persons are not qualified to lead the enterprises in concentrating on transforming backward technology and management and in promoting the two civilizations. Therefore, we should help enterprise leading cadres "make up missed lessons" by subjecting them to training and unified examination.

Yuan Baohua said: From a long-term, perspective, the organizational structure and cadre system of our enterprises must be reformed, as must the cadre evaluation system. Unified examination should become one of the important means for the state to check on enterprise leading cadres. During the Seventh 5-Year Plan period, enterprises should vigilantly attend to the training and examination on four levels, that is, aside from the level of enterprise responsible persons, they should pay close attention to the training and examination of middle-level cadres, specialized personnel of all types, and team or group leaders as well as backbone production personnel. In training and examining cadres, we should give priority to quality and pay attention to correcting the tendency of stressing technology and slighting management, stressing economic management and slighting administrative management so that all members of enterprises are aware of not only economic results but also work efficiency.

Yuan Baohua urged all localities, departments, and enterprises to devote more time and energy in this regard and explore means for establishing a scientific cadre management system and raising the quality of enterprises in an all-round way.

It is learned that the conference summed up the experience of administering unified examinations over the past 2 years, made arrangements for this year's unified examinations, and particularly studied and arranged unified examinations for leading cadres of large and medium-sized enterprises. The conference urged all localities and departments to strengthen leadership over unified examination work, support the work of their local unified examination leading groups, and pay special attention to improving the quality of pre-examination training. At the same time, they should conduct investigation and study in connection with unified examinations and earnestly study a way to persistently administer the unified examinations under a state examination system.

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CSO: 4006/678

ECONOMIC MANAGEMENT

FACTORY LEADERS URGED TO TAKE STATE EXAMINATIONS

OWO21413 Beijing XINHUA Domestic Service in Chinese 0829 GMT 1 Feb 86

[By reporter Ge Daxing]

[Excerpts] Beijing, 1 Feb (XINHUA)--Since the institution of state examinations for enterprise managers and factory and mine directors two years ago, 237 large and medium-sized enterprises throughout the country have failed to send anyone to take the examinations. The Guidance Committee for the State Exams for Economic Managerial Cadres recently issued a circular to criticize these enterprises, urging leading cadres of large and medium-sized enterprises who have failed to take the exams to actively participate in this year's state exams.

Geographically speaking, provinces, autonomous regions, and municipalities directly under the central government with more than 10 such enterprises each under criticism included Guangxi, Shanghai, Jiangsu, Heilongjiang, Guangdong, and Yunnan. A number of enterprises under the direct administration of the Ministry of Water Resources and Electric Power, the Ministry of Light Industry, the Ministry of Ordnance Industry, the Ministry of Electronics Industry, the Ministry of Nuclear Industry, and the Ministry of Communications were also criticized by the circular.

The Guidance Committee for the State Exams for Economic Managerial Cadres pointed out: The State exams for enterprise managers and mine and factory directors were decided upon by the State Council. It is a mandatory task. The state exams are designed to encourage leaders of large and medium-sized enterprises to acquire expertise in exercising leadership and raise their managerial standards. In the past two years, more than 15,000 leading cadres from various large and medium-sized enterprises throughout the country have passed the state exams. However, many leading cadres have not taken the exams

The Guidance Committee for the State Exams for Economic Managerial Cadres pointed out: Leading Cadres of various large and medium-sized enterprises should take the lead in taking the state exams. Those who fail to take the exams without sufficient reason must be educated and criticized, and those who refuse to take the exams will face dismissal from their posts. Various departments concerned must ensure that managers and factory and mine directors of large and medium-sized enterprises take the state exams in the same way that they ensure the enterprises pass the acceptance tests after being consolidated.

ECONOMIC MANAGEMENT

MEETING STRESSES IMPORTANCE OF ECONOMIC LEVERS

OW041405 Beijing XINHUA Domestic Service in Chinese 0912 GMT 4 Feb 86

[By reporter Yu Youhai]

[Excerpts] Beijing, 4 Feb (XINHUA)--Everyone talks about economic levers. The interest in economic levers has never been so intense. This was the impression I got after attending the closing meeting on national planning today. Leading comrades referred to economic levers in their reports. Delegates discussed economic levers.

The leading comrades of Chongqing City used tax collection as an economic lever last year, stipulating that all units and individual businesses should pay business taxes. Taxes on business income would double if the units or businesses did not run their operations in line with the state's regulations on commodities and prices. The "Economic lever" showed immediate results. The city's tax revenue increased some 10 million yuan in 1 year.

In Shanghai Municipality, bank credits and loans have begun to play an important role as economic levers in drawing enterprises' attention to investment returns.

A period of exploration has convinced comrades in Guangdong, Chongqing, and Shanghai That, in bringing the role of economic levers into play, macro economic management could be improved and strengthened. Beijing, Tianjin, Liaoning, Zhejiang, Hubei, Shaanxi, Nei Monggol, and other provinces and autonomous regions have also come to realize that this is the right course to take.

Comrades of the State Planning Commission said: We are now building a socialist economic system with Chinese characteristics and an economic system that is full of vitality. For macroeconomic management, we chiefly rely on using administrative means to exercise direct control; we then shift step by step to using mainly economic means to exercise indirect control and guidance. Bringing the role of economic levers into play is an imperative task. It can be said that presently our work in this respect has only just begun; many practical programs remain to be solved. Anyway, it is a big advance if we compare the new method with the old. Having made the first step, we will surely advance step by step along the new road of macroeconomic reform, and make economic levers better served and guide China's economic construction.

ECONOMIC MANAGEMENT

PRC JOURNAL ON BONUS DISTRIBUTION IN ENTERPRISES

HK030657 Beijing JINGJI GUANLI in Chinese No 11, 5 Nov 85 pp 46-49

/Article by Zhong Fengzhi /6988 6646 3112/: "On the Question of Bonus Distribution in Enterprises"--Edited by Shen Hongsheng /3088 7703 3932/

/Text/ An enterprise's internal method of bonus distribution directly affects the production and work enthusiasm of the staff and workers of the enterprise. If the distribution of bonuses is rational, it will be possible to manifest quite well the principle of distribution according to work. Thus the workers' enthusiasm will be fully brought into play, labor productivity will clearly improve, and enterprises will therefore obtain better economic results. If the distribution of bonuses is irrational, the opposite results will be achieved. Thus, paying attention to summing up the experiences of practice and continually exploring and perfecting methods for bonus distribution has great significance in further doing well in enterprise management and improving economic results.

I. Several Commonly Used Methods of Bonus Distribution in Enterprises

1. Deciding on bonuses according to levels. This is where there are various levels of bonus. The bonus a person receives is based on their comparative individual performance, and is democratically fixed. Of course, in using this method to distribute bonuses, it is impossible to avoid the influence of impressions, relationships, and other such subjective factors. Thus, it is very easy for contradictions and disputes to arise among staff and workers. In fact, in many small production groups, every time bonuses are given out, wrangling occurs. And before the old resentment is settled, new resentment is created, and through this vicious cycle things get worse and worse. In the end, the masses are upset and resentful, the leaders have headaches, and no one wants to assess bonuses any more. Thus, today this system is rarely used. However, the bonus distribution system whereby people "take turns being dealer" (that is, they take turns in accepting first, second, and third level bonuses) can be seen as just a "mutation" of "eating from the same big pot."

2. Calculating bonuses based on working hours. This method is simple and cannot give rise to contradictions and disputes. This method gets rid of the strange phenomena of fake medical certificates, lingering on the sick roll, and trying to get injured at work. However, the long lines of people outside

the clinic going to see the doctor get longer rather than shorter (as time spent seeing the doctor is considered worktime). Thus, the phenomenon of people putting in time, but not putting in any work, becomes very serious. Seen from the statistics, the amount of time put in by workers increases, but labor productivity does not increase accordingly.

3. Calculating bonuses in accordance with the completion of a fixed number of workhours. The formula for calculating this is:

$$b \text{ equals } h \times C - b' \quad (1)$$

where:

b is the bonus each person should obtain (calculated on a monthly basis.

(Same below.)

h is the number of quota workhours a person completes.

b' is the amount of bonus deducted due to excessive consumption or production of rejects. And

C is the amount of bonus for each quota workhour.

$$C \text{ equals } (B \text{ plus } B' - B'') \text{ divided by } H \quad (2)$$

where:

B is the amount of bonus the unit obtains on the basis of its contract.

B' is the amount of bonus retained by the unit the previous month.

B'' is the amount of reserve bonus retained by the unit.

H is the number of quota workhours completed by the unit.

The advantages of using this method to calculate bonuses are:

1. In the calculation of bonuses, it completely does away with factors unconnected with the amount of labor. This has advantages in motivating the enthusiasm of all types of staff and workers.

2. Deciding bonuses is changed into calculating bonuses. The basis of calculation is the number of quota workhours completed by each individual. If they work more, they get more, and if they work less, they get less. It is simple and clear and there is nothing which can give rise to disputes. Thus, on the one hand it can manifest differentials, and on the other hand it will not give rise to contradictions and disputes.

3. Those people who put in time, but do not put in any work, will not fulfill the quota workhours and will not receive bonuses. Thus the phenomena of loafing on the job, trying to appear busy but doing nothing, and queuing outside the clinic to have an "illness" treated will all be eliminated.

4. It promotes quota management. In the past, because everyone was treated the same, there was no encouragement, even if a quota was completed. Likewise, if a quota was not completed, there was no penalty. Quotas were in fact optional. No one paid any attention to whether what had been agreed upon was rational or not. Thus, from the top to the bottom, no one took quotas seriously.

The work of formulating quotas was often treated as a trifling matter. In many units, the quotas were fixed by the head of the workshop, or even by



workers who arbitrarily put forward figures, and remained unchanged for a long period. Using quotas of this type, the calculation of labor productivity was of course muddled, and did not provide answers to any questions. Now, quota workhours are used as a basis for calculating bonuses, and excessive consumption results in reduced bonuses. Whether the formulation of the quotas is rational or not has a direct effect on the personal interests of the workers. This thus forces management cadres to readjust quotas seriously and manage them well.

After implementing this type of distribution method, the phenomenon of putting in time but not putting in any work will be eliminated. However, like in the past, no one will be willing to do the work which is hot, dirty, or tiring, highly technical, or which requires a high degree of skill. This results in the people whom the leader sends to do such work refusing to do it and thus there is no option but for the leading person to do it himself. As such work piles up day after day, month after month, his health will fail and his spirit will collapse. Thus, everyone considers being group leader to be a dangerous undertaking. There is another situation where new workers or temporarily mobilized office staff are sent to work. These new workers and temporary "randomly grabbed bridegroom" cadres are not very familiar with technology and their technical skills are not polished. One can guess at the quality of products which they process. For example, in a unit in which the writer worked, there was a multispindle combination boring lathe. The original plans called for the provision of a level-six boring lathe operator. However, for a long period, the machine was mostly operated by a new worker. The reason for this was that the intensity of labor on this machine was great, and the technical requirements high. Doing this work not only gave rise to great weariness, but if it was not well-mastered and many rejects were produced, the operator would be subject to punishment. When compared with other, lighter and simpler work, the completion of a similar number of quota work would not bring any more benefits. Thus, for 10-plus years, there were continual machinery and quality mishaps and, although everyone knew the reason, no one took any action to resolve the problem.

Some people may say that this was due to the fact that ideological and political work has not done well, and that was not a management problem. Actually, this is incorrect. We can say that in our socialist enterprises, all the universal negative phenomena have their origins in violation of the principle of distribution according to labor.

We all know that in the specific acts of labor in which individuals engage, the level of technology, the amount of labor consumed, and the labor conditions are all different. However, what a work quota represents is the necessary labor time required of an ordinary laborer to complete a certain work procedure (or task) with a certain tool and a certain degree of proficiency. It does not (and should not) include such things as the degree of difficulty of the work, the intensity of labor, the labor conditions, and other such important factors which constitute the quantity of labor. Thus, in respect of heavy work and light work, working at the top of a pit and working at the bottom of a pit, working outside and working inside, and other differences in the type of labor, when we speak of the same amount of workhours for each, we cannot regard such

work as equal. In general, the content of each quota workhour is different and the amount of labor which it entails is also different. Thus, if we calculate bonuses purely on the basis of quota workhours, those people who engage in work which is difficult, has poor conditions, and is technically complex will be putting in a lot of labor, but not obtaining appropriate rewards. Very few people will be willing to do such work. In order to resolve this problem, some units are using labor coefficients in the distribution of bonuses.

4. The calculation of bonuses on the basis of the amount of labor. We know that distribution according to labor means that the amount of what is distributed is based on the amount of labor contributed. However, as described above, if we simply rely on the number of quota workhours completed by a laborer, we cannot correctly measure the amount of labor contributed. If we are to really calculate bonuses on the amount of labor provided, apart from quota workhours, we must take labor coefficients into consideration.

What are referred to as labor coefficients are the important factors related to measuring the amount of labor contributed, such as the degree of complexity of the labor, the labor intensity, and labor conditions. If we use  $K$  to represent the labor coefficient, and use  $k(1)$ ,  $k(2)$ , and  $k(3)$  respectively to represent the degree of complexity of the labor, the labor intensity, and the labor conditions, then:

$K$  equals  $k(1)$  multiplied by  $k(2)$  multiplied by  $k(3)$  (3)

After the labor coefficient is introduced, the basic formula for bonus distribution is:

$b$  equals  $h(1)$  by  $k(1)$  plus  $h(2)$  by  $k(2)$  plus  $h(3)$  by  $k(3)$  plus  $h(n)$  by  $k(n)$  by  $c$  minus  $b'$  equals  $(\sum h(n) \text{ by } k(n)) \text{ by } c$  minus  $b'$  (4)

In the formula:

$b$  is the amount of bonus which each person will receive (calculated on a monthly basis. Same below.)

$h(1)$ ,  $h(2)$ ,  $h(3)$ , ...,  $h(n)$  are the quota workhours completed by that person in different work procedures (or tasks).

$k(1)$ ,  $k(2)$ ,  $k(3)$ , ...,  $k(n)$  are the corresponding labor coefficients.

$\sum h(n) \text{ multiplied by } k(n)$  is the number of labor units (number of shares).

$b'$  is the amount of bonus retained by the unit due to excessive consumption or production of rejects by the worker.

$c$  is the amount of bonus per labor unit (value of share).

$c$  equals  $(B \text{ plus } B' \text{ minus } B'')$  divided by  $(H(1) \text{ multiplied by } k(1) \text{ plus } h(2) \text{ multiplied by } k(2) \text{ plus } H(3) \text{ by } h(3) \dots h(n) \text{ by } k(n))$

Equals  $(B \text{ plus } B' \text{ minus } B'')$  divided by  $(\text{Sigma } H(n) \text{ multiplied by } k(n))$  (5)  
where:

B is the amount of bonus the unit obtains on the basis of its contracts.

B' is the amount of bonus retained by the unit the previous month.

B'' is the amount of reserve bonus retained by the unit.

H(1), H(2), H(3),...H(n) are the number of quota workhours used by the unit in completing different work procedures.

k(1), k(2), k(3),...k(n) are the equivalent labor coefficients.

Sigma H(n) multiplied by k(n) is the total number of the unit's labor units (total number of shares).

In the calculation of the bonus distribution, the concept of including labor coefficients so as to generally achieve bonuses calculated on the basis of the amount of labor is undoubtedly a clear advance in distribution methods. When compared to other distribution methods, it is more scientific, more rational, and more in accord with the principle of distribution according to work. As far as the writer is aware, in those places where this method of calculating bonuses has been used, the phenomenon of putting in time but not putting in any work is not found. Also, there are no worries about not having people to do the various types of difficult, heavy, arduous, dirty, and painful work. In addition, the enterprises' labor productivity and economic results both clearly improve.

## 2. The problems existing in Bonus Distribution and Ways to Resolve Them

At present, the most common form of internal distribution of bonuses between units in many large and medium-sized enterprises is as follows: The amount of profits retained by each unit in the previous year is taken as its fixed contract amount. The bonuses are then taken from the excess amount after completing the profit contract. Since this system was introduced, in units with good economic results, the average per-capita contract amount is great, whereas in units where the economic results are not good, the contract amount is small. In units where the economic results are poor, there is often much latent potential and, by making small changes, it is possible to greatly exceed the amounts contracted for. Thus, although, after making the changes, the per-capita profit (in normal situations, equivalent to per-capita contribution of labor) is still very low, the per-capita bonuses received by the staff and workers can still be high. As for the units with good economic results, because their starting point is high, the difficulties of making further progress are, of course, greater, and it is not possible to greatly exceed the amounts contracted for. Thus, although the workers' per-capita contribution is far greater than that of the workers in the first-mentioned case, the bonuses they receive will probably be less. The masses refer to this as "whipping the fast ox." The phenomena of the making of offers and counter-offers in decided on a contracted profit amount and the ideology of fearing being conspicuous, which exist widely in units at present, have their origins in this situation.

Of course, enterprises with good economic results should continue to make great contributions and contract for large amounts of profits. Thus, for these enterprises, the problem does not lie in contract targets being too high, but in the situation where workers work harder but do not get any more, or even work harder and get less. Thus, it is proposed that, after adjusting prices in factories so as to achieve a basic rationality, and with the prerequisite of completing contracted tasks, each unit should implement the system where the bonuses given out are based on the level of per-capita profits. In this way, it will be possible to avoid the phenomenon of "whipping the fast ox," and the various units will dare to go all out in tapping latent potential and will be at ease about improving results. As to those units which were generally backward, but which have made great progress through reorganization, it is possible to increase the bonuses of those staff members and workers (including leaders) who have made outstanding contributions. As to the other staff and workers, I feel it is still appropriate to ensure that their remuneration (including wages and bonuses) is generally equivalent to the amount of labor they have supplied to society (after the various deductions have been made).

2. As to functional administrative offices and auxiliary departments within enterprises, a large proportion of their staff and workers are still "eating from the same big pot." The major reason for this is that there are no time quotas or quality standards for work in these departments. Thus, there is no objective basis for an uncontested decision as to who worked more and who worked less. In order to avoid contradictions occurring in the assessment of bonuses, which would affect unity, there is no way but to "let everyone eat the rice." Thus, if we are to change the situation where these departments are "eating from the same big pot," then we must first formulate time quotas and quality standards, and determine labor coefficients for every work procedure. In this way, we can, in accordance with the formulas (3), (4), and (5), and on the basis of the amount of labor each person actually completes, calculate the bonus they should receive. Of course, the situation in these departments is much more complicated than that in the production units, and it will certainly not be easy setting down time quotas, quality standards, and labor coefficients for the many types of different work. However, I believe that this is the basic work of enterprise management. We have to have people do this sooner or later, but the sooner the better.

3. Some units take the degree of importance and the amount of responsibility as the basis for determining bonuses. This is wrong. Because bonuses are a form of distribution according to work, the only basis for their distribution should be the amount of work. The importance of the work which somebody does or the amount of responsibility taken on does not mean that their labor contribution is the greatest. In fact, this method can only lead to unhelpful disputes as to whether political and ideological work or economic work is most important, whether the party committee department's responsibility is the greatest or the executive department's responsibility is the greatest. This can have no benefit for production or work. Thus, in the distribution of bonuses, we should reject those factors which are unconnected with the amount of labor.

4. Some units have improperly used the cancelling of bonus entitlement as a punishment measure. When staff or workers make mistakes, it frequently occurs that their bonus entitlement is cancelled for several months or even for up to a year. This is actually cancelling an effective measure for promoting their enthusiasm. The result is that the work enthusiasm of the staff and workers who have been penalized declines, resulting in losses which should not have occurred. Take, for example, a worker who had been allowed to remain at his factory but who was placed under observation for 2 years. His wages were cancelled and he was only left with enough for individual living costs. In his family, there were great difficulties. Whereas originally he wanted to work harder to earn bonuses to support his family, once he heard that he had been placed under observation and his bonus qualifications had been cancelled, his attitude immediately changed and he did not work well. And, because excuses are not difficult to find, the six-spindle semiautomatic standing lathe which he operated became the bottleneck in the factory. His production was extremely passive. Later, when the stipulation cancelling his bonus qualification was withdrawn, he went all out and worked very hard, regularly surpassing his quota by 20-30 percent. A shortcoming quickly became an advantage and passivity changed into activity. From this, we can see that using the method of cancelling bonus qualifications for a long period as a punishment for staff and workers brings great disadvantages and few benefits. If staff members or workers violate discipline and must be subject to economic sanctions, it would be better to impose a fixed fine, while still handing over to the person penalized the bonus he should receive for his labor.

5. When formulating labor coefficients, some units pay much attention to the intensity of labor and the conditions of labor. However, they do not pay sufficient, or any attention to the degree of complexity of the labor. This dampens the enthusiasm of the workers for studying and mastering technology and is not of advantage to raising product quality or improving technology. There is an urgent need to overcome this shortcoming.

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ECONOMIC MANAGEMENT

PRC JOURNAL ON ABSOLUTE, RELATIVE BONUS AMOUNTS

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/Article by Dang Ziang /8093 1730/ and Kang Zhixiang /1660 1807 4382/: "On the Absolute Amount and Relative Amount of Bonuses"--Edited by Pan Shucheng /3382 6615 3397/

/Text/ Since the restoration of the bonus system, on the basis of an initial qualitative analysis of bonuses, the question of bonus amounts and their roles has received daily-increasing attention. It is hoped in this article to make a simple analysis of the question of bonus amounts from the angle of enterprise management.

1. On the Absolute Amount of Bonuses

Bonuses are enterprises' most important material incentive measures. But it is not under all conditions that bonuses can stimulate the production enthusiasm of staff and workers. When we look at the quantities, those people being encouraged have requirements in terms of the lowest level of their bonus. We did an investigation of over 100 staff members and workers from different enterprises and of different occupations, ages, and occupational levels. Nearly without exception, they held: When the bonus is lower than a certain level, it is not worth striving for. Only when the bonus is above a certain value does it play a stimulatory role. We refer to that bonus value which is the lowest value able to bring about a reaction in those being stimulated as the absolute threshold value of bonuses (threshold generally refers to a dividing line or a limit). In enterprise management, if bonuses are to be used as a stimulatory measure, then the lowest amount of bonus by which their role can be brought into play is determined by the threshold value.

The absolute threshold value of bonuses is a variable and is conditioned by many different factors. Some of the more important factors include: 1) The wage level of the staff and workers and the standard of living related to this. When the wages and standard of living are fairly low, a small bonus is able to play a quite great stimulatory effect. At such times, the bonus threshold value is low. In the opposite situation, the threshold value is high. 2) The level of prices, especially of consumer goods prices. When prices rise, people hope to receive large bonuses as supplements. Thus, in general, changes in bonus threshold value have a direct relationship with changes in prices.

3) The size of bonuses allocated in the previous period. If the level of bonuses given in previous periods has always been quite high, the bonus threshold value will be raised. 4) People's work motivation. When a person's work motivation is solely to earn money to satisfy his livelihood needs, the threshold value is a bit higher. When a person is strongly motivated to realize achievements in his work and he looks on money as of secondary importance, then the threshold value will be a little lower.

Because people's demands in life, family environment, work motivation, and value concepts are different, bonus threshold values differ with individuals. The same amount of bonus can have a different stimulatory role on different people. However, individuals live within a group and are affected by many common conditions such as price and wage systems, work environment, and so on. On this basis, there is formed a certain group consciousness. Thus, in regard to an enterprise or a group, the bonus threshold limit has a collective tendency.

Following the continual raising of the wage levels and standard of living of our nation's staff and workers, and in the wake of the increased prices of consumer products and the tendency of change in bonus threshold values to be gradually upwards, the trend suggests that if the absolute value of bonuses does not change, their stimulatory role will become gradually weaker. In such a situation, if enterprises want to maintain or improve the stimulatory role of bonuses on staff and workers, then they will have to raise the absolute amount of bonuses.

The bonus amount has also an upper limit which is determined by a series of objective economic factors. As far as the enterprise is concerned, the upper limit is determined by the degree of increase in labor productivity and the amount of funds, from aftertax profits, to be used for encouragement. As far as a staff member or worker is concerned, the upper limit of his bonus is determined by the maximum amount of extra labor he is able to supply.

Clearly, the amount of bonus provided by the enterprise should be above the bonus threshold value and below the limits allowed by the enterprises' funds for encouragement, and should be fixed by comprehensively considering the income and living standards of the staff and workers, the level of prices, the amounts of previous bonuses given, the work motivation of staff members and workers and other factors. When the bonus threshold value rises, we should ensure that bonus amounts rise in a way which accords with the growth of labor productivity and of taxed profits. This will assist in continually motivating the production enthusiasm of staff and workers. However, in actual management, there are some management cadres who do not do this. Some, on the basis of a particular thought, greatly increase the bonus amounts without considering whether objective conditions will allow it. Others, in order to complete some task, inappropriately increase bonuses to encourage the staff and workers. This sort of encouragement may be effective in the short-term, but because the then current bonus will be very high, as the bonus threshold value has been artificially raised, when objective conditions force the high bonuses to decline or after a task is completed and bonuses return to their original level, the stimulatory role of bonuses will decline. This type of great rises and falls in bonus amounts places mental obstacles in the way of future work. This method, in which one gets enmeshed in one's own web, is inadequate.



In the use of bonuses as stimulatory measures, the lower limit of the bonus amount and the upper limit are determined by different factors. This may result in the situation where some enterprises' upper limit is equal to or even less than the minimum limit in other enterprises. In such cases, the stimulatory role of the bonuses will be next to nothing. In accordance with the actual situation, the enterprises will only be able to make much of the timing, the situation, and the method of bonus distribution to make good the deficiency in the amount of the bonus.

## 2. On the Relative Comparative Amounts of Bonuses

When the amounts of bonuses are above the lower limit, people will be more inclined to make all sorts of qualitative comparisons and will pay more attention to comparative amounts of bonuses. In any situation, and especially in collective operation situations, solely using the amount of bonus to determine whether the bonus corresponds with the above-quota labor supplied brings great difficulties to both the workers and the specialists. Conversely, if various vertical and horizontal comparisons of the bonuses received are made, people can then determine whether the bonuses they received correspond with the above-quota labor supplied, can decide whether what they received as compared with what others received was fair, and so on. We can see that to a certain degree, the relative amounts of bonuses manifest the distribution relationships among people.

The obtaining of bonuses is a requirement for satisfying people's sense of honor and sense of achievement. In this sense, the amount of the bonus is seen even more as a symbol of achievement or honor. Thus, staff members and workers pay much attention to the comparative amounts of bonuses in determining the degree to which efforts at work have been noticed and recognized by the leaders. When staff members and workers work hard and thereby obtain quite high bonuses, their sense of accomplishment and sense of honor is satisfied. This thereby stimulates their enthusiasm for work. In enterprise management work, we must exert much effort in arranging well the relative comparative amounts of bonuses. This is the key to ensuring that the stimulatory role of bonuses are really brought into play.

The relative amounts of bonuses can be of the following major types:

1. Vertical comparative amounts. This is the amount of bonuses as compared to that unit or that person's previous bonuses. According to our investigation in two factories, over 57 percent of the staff members and workers advised that they would be satisfied if "this year's bonus was a little higher than that for the same period last year." However, 75 percent advised that they would be dissatisfied if "this year's bonus was lower than that for the same period last year." This shows that most staff members and workers look forward to a gradual increase in bonus. This is because, in general, if the labor productivity of an enterprise is to rise, the amount of above-quota labor to be supplied by people will also rise. At the same time, in a normal situation, personal income has an irreversible nature. The level of consumption and the consumption habits formed on a certain level of income ensure that people not only do not want their income to decrease, but rather require that it gradually



increases. Thinking about the effects of the above-mentioned comparative amounts on staff and workers, in enterprise management work, we should consciously avoid great rises and falls. Some enterprises, when their operations are proceeding smoothly and there are plenty of encouragement funds, consciously control the amount of bonus distributed. In this way, when operations experience difficulties and the encouragement funds are scarce, it will be possible to avoid a great decline in bonus amounts. Thus it will be possible for bonuses to achieve stable, linear growth. This is a quite good way of handling things.

2. Horizontal comparative amounts I. This is the amount of bonuses as compared to those in other enterprises. The reason bonuses in different enterprises are at different levels is that the labor productivity in the various enterprises is different and the encouragement funds left from after-tax profits differ. However, in present conditions, because of the existence of a large number of external economic factors which enterprises are unable to control and which affect operations, the enterprises all have different starting points. This results in the comparison of enterprises' bonuses often not precisely reflecting the operational situation of these enterprises.

However, this type of comparative amounts has a very great effect on staff and workers. According to our investigation, about 65 percent of staff and workers should be satisfied if "the factory's bonuses are higher than those in surrounding factories." In such a situation, the staff and workers often have a spontaneous sense of pride and honor which is of benefit in stimulating their enthusiasm for work. However, 63 percent of the workers advised they would be dissatisfied if "the factory's bonuses were lower than those in surrounding factories." In such a situation, a fair portion of the staff and workers have an imitative mentality and hope that the unit will raise its bonuses. Some of the leaders also incline towards initiating other units, with the hope that this will stimulate the production enthusiasm of staff and workers.

Under the influence of this imitative mentality, two types of imitative actions may occur. First, there might be imitation of other enterprises by working hard to develop production, opening up production avenues, strengthening enterprise management, and improving economic results, and, on this basis, increasing the staff and workers' bonuses. This sort of limitation on the one hand provides social competition and production development and, on the other hand, satisfies staff and workers' demands for higher bonuses while stimulating their enthusiasm for production. Thus, such imitation deserves to be encouraged. The second type of imitation is where there are inappropriate increases in bonuses. This type of imitative actions will have bad effects on both the enterprise and on the society. As far as the enterprise is concerned, once the wish to emulate the higher bonuses of other enterprises is realized, the stimulatory role of the high bonus on the staff and workers in the imitating unit will be much smaller. This is because the high bonuses obtained in this way are introduced from the external environment. They are not naturally linked with whether the enterprise's operations are good or bad or whether the amount of above-quota labor supplied by the staff and workers is great or small. People thus naturally come to believe that the obtaining of greater bonuses

depends not on supplying a greater amount of above-quota labor to the society, but on the leaders daring to speak out and to nod in agreement, and even to avail themselves of loopholes in state policies. In such a situation, it is difficult for staff and workers to see high bonuses as a symbol of honor and achievement. All of these factors cause a reduction in the stimulatory role of bonuses. As far as the society is concerned, enterprises wanting to imitate those enterprises which have higher bonuses than themselves may result in the speed of consumption funds growth exceeding the speed at which labor productivity grows. This would thereby give rise to excessive inflation of consumption funds which would lead to an imbalance in macroeconomic ratios. This shows that bonus distribution has a great influence on the macroeconomy. Thus enterprises should fully consider their own social responsibilities so as to avoid the second type of imitative actions.

3. Horizontal comparative amounts II. This is the amount of bonuses as compared within an enterprise. The staff members and workers of a single enterprise labor in an environment in which many of the external and internal factors are the same. The staff members and workers know each other and thus their labor is highly comparable. Through such comparison, the staff members and workers can get a direct feeling as to whether the bonus they have obtained is fair or not, what their position in the organization is, whether their achievement motivation and motivation to achieve honor have been realized, and so on. Thus, this sort of comparative amount is paid much attention by staff and workers, and either stimulates or restricts their work enthusiasm.

The quantitative differences in the above-quota labor supplied by staff and workers is the basis for quantitative differences in their bonuses. When the comparative amounts of bonuses can correctly reflect differences in above-quota labor, it can stimulate the work enthusiasm of staff and workers. Thus, in management, on the one hand it is necessary to formulate rational, quite advanced labor quotas and to perfect scientific assessment methods, so as to make detailed records and carry out precise calculations of the various types of economic activities, and so that there is a basis on which to calculate labor differentials, which will in turn provide a basis for bonus differentials. On the other hand, managers must look on all the staff and workers equally and must strive to assess each worker's work attitude and work achievements in an objective way. This appraisal should be linked with bonuses, penalties, and rewards. Also the manager must strictly avoid proceeding from personal likes and dislikes in assessing the labor of staff members and workers.

Scientifically setting down bonus grades and the quantitative differences between grades is of great importance. If the quantitative differences between bonus grades are too small, then people will not pay them much attention. If the staff and workers' attention is to be gained, the quantitative differences between grades must be quite large. We refer to the smallest bonus differential which can stimulate reaction in people as the bonus differential threshold value. The differential threshold value is the lower limit of quantitative differentials between bonus grades. If there are only small differentials to which people pay no attention, it is in fact just a form of egalitarianism. Such a method cannot stimulate the staff and workers to struggle for a higher goal. Of course, the differences between bonus grades cannot be too great, because these would exceed the differences in above-quota labor and would produce a feeling of unfairness among staff and workers.

ECONOMIC MANAGEMENT

PRC JOURNAL ON HOW TO VIEW WORKERS' SIDE JOBS

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/Article by Liu Bin /0491 1755/: "How Should We Look at Workers' Side Jobs?"--  
Edited by Pan Shucheng /3382 6615 3397/

/Text/ Editor's Note: How should a permanent staff member or worker employed in a unit owned by the whole people appropriately spend his spare time in taking up some job other than the permanent one and thus earning a reasonable income under the precondition of fulfilling the tasks of his permanent job? This is a new problem that has cropped up in the process of carrying out the urban economic reform and enlivening our economy. Judging by the actual state of affairs in some units at present, comparatively many contradictions have emerged in this sphere and people disagree in their understanding. How we are to adroitly guide action according to circumstances, strengthen our administration over it, and thus facilitate the construction of the two civilizations is question worthy of attention. We hope that the vast numbers of readers and writers air their views on this question. /end Editor's note/

Over the past few years, some staff and workers in enterprises owned by the whole people or in collective enterprises have used their spare time to do side jobs and earn a reasonable income after fulfilling the work tasks in the 8 hours that they are employed in their enterprises. This practice has attracted attention and caused debate in our theoretical circles and in public opinion. I think that solving this problem is of great significance in carrying out our country's current reform, giving full play to laborers' initiative, improving our economic results, and promoting the development of the socialist commodity economy.

I.

We have focused on carrying out investigations in the leather, furniture, and clothing companies in the second light industry bureau, Chongqing City, companies where a relatively large proportion of staff members and workers have undertaken side jobs. There are 7,800 staff and workers in the leather company, of whom 5,358 are permanent staff and workers in enterprises owned by the whole people. About 20 percent of these permanent staff and workers have undertaken side jobs. Among the 7,800 staff and workers, 1,442 are employed by collective enterprises and 35-40 percent of those 1,442 people have undertaken

side jobs. There are 5,780 staff and workers in the furniture company, of whom 5 percent are engaged in side jobs. There are 8,000 staff and workers in the clothing company, among whom 20-30 percent have undertaken side jobs. Most of the staff and workers in these companies are skilled workers with handicraft skills and their production is all characterized by simple technology, easy operation, and plentiful sources of raw materials, needing no complicated tools or relatively large work sites, and mainly depending on personal manual labor and skill.

The forms of side jobs undertaken by the staff and workers in these units are diverse. As well as home production and producers selling goods on their own, they take the following forms:

First, they help process certain products for township, town, and neighborhood enterprises and for individual households.

Second, they sign all-round responsibility contracts to spend their spare time helping township and town enterprises carry out technological renovation.

Third, they spend their spare time training technological workers or teaching apprentices. On the one hand, they charge tuition fees, and on the other, when they and their apprentices do work outside, they receive payment for their own and their apprentices' work.

Fourth, they spend their spare time in conducting commercial activities, such as helping township and town enterprises to purchase raw materials, setting up joint ventures with other people to deal in small articles of daily use, or doing business as food hawkers in the evening.

Fifth, they undertake all-round responsibility, by contract, to maintain or repair machinery.

Among the above-mentioned people who have undertaken side jobs, about 60 percent are workers and 40 percent are enterprise management engineering and technical workers.

Why have so many staff and workers undertaken side jobs? Through the investigation, I think there are both subjective and objective reasons.

The objective reason is that in order to improve their economic results and win in competition, the newly established township, town, and neighborhood enterprises need a large number of technical personnel. They have not only employed large numbers of retired scientific and technological workers and skilled workers, but have also been willing to provide high remuneration to recruit skilled workers and management workers, who are already employed in permanent posts, to work for them in their spare time. At present, the labor quotas in our enterprises are decided in accordance with the average level of skill and experience of our workers, but there is disparity between the labor ability and skill of different workers. Therefore, after fulfilling the work quotas in their enterprises, some workers still have some surplus labor capacity left. Also, the products that workers produce in their homes in their spare time are indeed marketable, make up the shortage of commodities in our market, and satisfy some of the demands of the masses.

The subjective reason is that as the socialist commodity economy has developed, over the past few years people's consumption levels have continued to rise. Our staff and workers wish to lead a better life and purchase more high-grade consumer goods, but their current wage incomes are insufficient to satisfy these demands. In addition, the shortage of production tasks in some enterprises to some extent affects the basic wage incomes of their staff and workers. This has urged the staff and workers who have surplus labor capacity to spend their spare time in undertaking side jobs in order to earn more income.

## II.

As the number of staff and workers engaged in side jobs is relatively large, and as the repercussions of this practice are relatively big, the relevant departments and basic-level organizations differ in their opinions on this practice. To sum up, there are three kinds of attitude: some oppose it, some are in favor of it, and some are in favor of it with reservations.

Some comrades oppose the practice of staff and workers doing side jobs. For since some workers have engaged in side jobs, there has indeed been some unfavorable impact on their main jobs: 1) They fail to work hard in their main jobs, their work efficiency is low, and they fail to fulfill their work tasks. For example, in a leather shoe factory, the daily quota for a worker is 30 pairs of shoes, but some workers make only 20 pairs of shoes in 10 days. However when they work at home at night, they each make 40 pairs a night. 2) There is much sick leave and low attendance rates. For a time, the attendance rate in the leather upper section in the factory was only 60 percent, and that in the leather sole section was only 70 percent. This has seriously hindered the fulfillment of the factory's tasks. 3) As the income from some side jobs is higher than the staff and workers' basic wages, some skilled workers do not keep their minds on their permanent jobs and apply to resign or to be suspended from their jobs for some time. 4) Labor discipline in the factories has been affected, and some staff and workers stay away from their work without leave to do business outside their factories. 5) Some staff and workers have exploited their power of office to sell technological information and thus encroached on the interests of their factories. A very small number of staff and workers have even stolen the raw materials of their factories. Because of the above-mentioned unfavorable impact, since the document on this matter was issued to them in 1984, some units have banned the practice of undertaking side jobs, and have pointed out that side jobs do not conform to the socialist planned economy, and are a practice of the free market which has seriously affected the economic results of the enterprises. They have also stipulated that when a staff member or worker is found to be engaged in a side job, his income from the job will be confiscated, and that if the worker refuses to correct his mistake, in spite of repeated admonitions, he will be dismissed or put on probation. According to the investigation, that document has not been able to put an end to the practice of staff and workers undertaking side jobs.

For those who are in favor of this practice, the reasons are: 1) For some factories, there are busy and idle seasons for their production tasks. In idle seasons, the factories cannot guarantee their staff and workers' normal

measures over the staff and workers who do side jobs. I am of the opinion that it would be best if we strengthened our administration in the following aspects:

1. We should strengthen the administration of labor in our enterprises, perfect the various rules and regulations, and continuously raise the economic results of our enterprises. At the same time, we should also do a good job of ideological and political work among our staff and workers and strengthen education in the sense of organization and discipline. We should make our staff and workers understand that their own jobs are the main jobs, and that the side jobs must be subordinate to the main jobs. Only by so doing, can we ensure the fulfillment of the enterprises' production tasks.

2. The pay of staff and workers who do side jobs should be calculated according to the principle of distribution according to labor. The amount of labor should not be divorced from the amount of pay. In order to achieve this, the state's relevant departments at all levels must administer the side jobs of our staff and workers in various ways. The functional organizations at all levels must formulate concrete laws and regulations; the audit departments must put forward the relevant stipulations on auditing for enterprises and institutions; the taxation departments must work out methods of levying taxes on the income of workers of our enterprises and institutions who do side jobs.

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ECONOMIC MANAGEMENT

BRIEFS

CHINA TO FINISH TESTING MANAGERS--Beijing, January 28 (XINHUA)--China plans to finish testing heads of all but its smallest enterprises this year, according to members of the committee organizing the national examinations. More than 77,000 have already taken the exams, they said, along with 4,000 would-be executives. Over 90 percent of them passed, the officials said. Examinations have been set for mid-July and late December. Part of the nationwide reform of China's system of administration, the exams are designed to encourage managers and directors of state enterprises to study economic theories, management and other subjects relevant to their work. Along with the tests, the government has begun requiring those who assume leading positions in enterprises to have been trained for their jobs. Exams for managers and directors of small industrial enterprises will begin this year and be completed within two years, the officials said. The tests are being administered by provinces, municipalities and autonomous regions. China has an estimated 400,000 industrial enterprises. [Text] [Beijing XINHUA in English 1853 GMT 28 Jan 86 OW] 12624

FINANCE AND BANKING

BRIEFS

HEBEI TAX SURVEY RESULTS--Hebei Province achieved remarkable results in the general survey of tax, financial and price work. By 10 December 1985, the province uncovered 307.9 million yuan of money which had been gained in violation of discipline. Of this figure, 196 million yuan should be turned over to the state treasury. Thus far, 120 million yuan has been delivered to the state treasury. /Text/ /Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 2 Jan 86 SK/ 12228

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TAIWAN

BRIEFS

ECONOMIC GROWTH PROJECTED--Taipei, 31 Jan (CNA)--The Republic of China will be able to reach its projected economic growth of 5.5 percent this year as the economic climate is turning to the better, the Council for Economic Planning and Development said Friday. In a report to the Executive Yuan on this nation's economic situation, CEPD said the devaluation of the U.S. dollar, the possible big fall of crude oil prices and the strengthening of competitiveness of this nation's products in the world market, have become favorable factors for the ROC to create higher economic growth in 1986. /Text/ /Taipei CNA in English 0248 GMT 1 Feb 86 OW/ 12228

REVISED TARIFF REGULATIONS TAKE EFFECT--Taipei, 1 Feb (CNA)--The revised import tariff regulations, promulgated by President Chiang Ching-kuo Thursday, went into force Saturday. Under the revised regulations, the maximum import tariff will be lowered to 67.5 percent from 75 percent, and the average real tariff will be lowered to 7.62 percent from 7.89 in real terms, the ministry said. The new system will also cut down import tariff rates for about 780 categories of goods and exempt tariffs for 28 categories. Traders will be required to pay more than before only when they import another 11 categories of goods, the ministry said. It is estimated that the tariff cuts will cost the nation an annual loss of nearly NT /new Taiwan/ dollar 2.3 billion (about U.S. dollar 57.5 million) in tariff income. The ministry also expressed the hope that businessmen here will reduce prices of their products in the domestic market as the lowered import tariffs help lower costs. /Text/ /Taipei CNA in English 1002 GMT 1 Feb 86 OW/ 12228

EXPORT PRICES GRADUALLY DECLINE--Taipei, 2 Feb (CNA)--The nation's export prices have showed a tendency toward gradual decrease in the past year. In particular, there have been 3 consecutive negative growth years for heavy industrial chemical products, a research survey pointed out Sunday. The research survey, conducted by the First Commercial Bank from the base year of 1979 until November 1985, says the nation's annual rate of increase for export prices declined from 11.94 percent, the rate of increase registered in 1979. Within the period, the only exception was in 1984 which was due to the recovery from recession in the U.S. market. It attributes the decline trend to the production reduction policies of the nation's heavy industrial circles. The low investment willingness in the country has caused a decrease of fixed capital investments, as investments in hardware generally took the greatest share in the development of heavy industries. The fluctuation of the export prices will determine the level of profits and will also force the manufacturers and exporting firms to adjust their production strategies, even though export prices are less important than import prices to this nation's export-oriented economy, the survey adds. /Text/ /Taipei CNA in English 0243 GMT 3 Feb 86 OW/ /12228

HONG KONG

CHEN MUHUA URGES COOPERATION BETWEEN PRC TRADE ORGANS IN HONG KONG

HK310157 Hong Kong WEN WEI PO in Chinese 28 Jan 86 p 3

[Special Dispatch from Beijing: "Chen Muhua Points Out That China's Finance and Trade Organs in Hong Kong Must Attach Importance to Information and Expand Their Business"]

[Text] In an article in the current issue of the magazine ZHONGGUO JINRONG [CHINA FINANCE], Chen Muhua, president of the People's Bank of China, said that China's banks and insurance organs in Hong Kong must take the Sino-British Joint Declaration as a guiding principle in handling problems in their operations.

Chen Muhua said that in coordination with the development of foreign trade, we must energetically develop new networks and continuously expand business operations. She said: "Be it banking or insurance business, we must formulate proper development plans. As regards the volume of economic trade with foreign countries and the amount of money that can be raised, we must seek gradual development in a planned manner, distinguishing between matters that are important or less important, urgent or less urgent."

She also said that in developing business with foreign countries, we must conform with China's general line and specific policies toward foreign countries. She indicated that through business activities, we must be socially active in making friends. This plays an important role in stimulating Hong Kong's economy and stabilizing the situation.

Chen Muhua stressed cooperation between banking and insurance houses and trade organs. She said: "Chinese-financed banking and insurance houses and trade organs must have close cooperation between them and strengthen unity and mutual support. In my opinion, this is not just a problem of general relations. It is also a matter of upholding the general interest of the PRC. This should arouse everyone's attention." In the article, she appealed to bank and insurance firms abroad to play an active role in passing on information.

Chen Muhua also criticized the management level of finance organs abroad. She said that the performance of finance organs abroad, generally speaking, is marked with achievements. But they are still not good at using various

means common to international finance organs in developing various operations. They must keep improving their level of operation and management.

She pointed out that organs abroad play an important role in training skilled personnel. She said that because of the long period of being shut out of the world and international financial operations, the training of skilled personnel in this field is a matter of great urgency. She said that we must make full use of favorable conditions provided by overseas organs for the training of talent. The quarters concerned in our country must seriously formulate plans, organically linking the assignments of cadres sent abroad with the business of training. Cadres posted abroad for long periods, should quickly sum up experiences and go home regularly to give briefings.

Chen Muhua also pointed out the need to rely on and set store by, the local backbone in a given trade. She said: "Overseas organs must, in the main, recruit local people as working personnel. People taken on must meet strict requirements. Those people forming the backbone in a technical or professional field, must be retained to work on a long-term and stable basis. Attention should be given to the development of their role. Newly employed workers must also be subjected to serious training and assisted in improving their relevant skills.

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HONG KONG

# PRC OFFICIALS TO VISIT HONG KONG OVER KA WAH BANK TAKEOVER

HK280431 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 28 Jan 86 p 1

[By Cecilia Ko]

[Text] Three senior officials of China International Trust and Investment Corp are expected to arrive from Beijing this week in connection with the takeover of Ka Wah Bank.

The secretary for Monetary Affairs, Mr David Nendick, saying he expected the officials to arrive this week, added he regarded the CITIC deal as finalized, but not yet formalized.

Meanwhile, CITIC announced last night that Baker and McKenzie Solicitors and Notaries had been appointed as the legal adviser on the takeover proposal.

Last week, CITIC appointed CCIC Finance Co and China Investment and Finance Co as joint financial advisers to the plan.

It is believed that under the takeover plan CITIC will inject about \$350 million into Ka Wah after writing down 90 percent of the shareholders' funds.

But the exact amount is still subject to several details being worked out.

Among the issues are questions over Ka Wah's investment in its associate companies and the level of provisions to be made on bad and doubtful loans.

The bank owns 30 percent of Singapore-based Great Pacific Finance Ltd and 50 percent of Ka Wah AMEV Insurance Ltd, a joint venture with the Dutch-based AMEV insurance group.

The amount CITIC will dump into the bank will depend on whether the Beijing corporation wants to retain these investments. The figure may change if Ka Wah's interests in these companies are sold.

It is also understood that CITIC has yet to agree on the amount of provisions on bad and doubtful loans.

That figure, which has been assessed by the Ka Wah board and the bank auditors and believed to be adequate for covering bad loans to borrowers in Singapore and Malaysia, has not changed in light of the arrest of Malaysian businessman and politician Tan Koon Swan, bankers close to Ka Wah said.

Although Ka Wah has loaned to companies associated with Tan, it did not have any direct exposure to Pan-Electric Industries which went into receivership in November.

It is believed CITIC has realized the situation and is prepared for the worst if these loans are irrecoverable.

What needs to be worked out are the details of the capital reconstruction. As Ka Wah is a publicly-listed company, shareholders have to be informed of the proposal and vote on it.

The shareholders must be notified of the details 21 days before the meeting.

A timetable on these procedures is expected to be worked out between the Ka Wah board and the visiting CITIC officials.

With the help of financial and legal advisers, the discussions are expected to be speeded up, but bankers said it would be one or two months before the takeover would be finalized.

In the meantime, CITIC might appoint someone to manage the bank.

Meanwhile, government officials have declined to comment on a report the Exchange Fund injected up to \$1 billion into Ka Wah.

A report said the credit facilities extended to Ka Wah by the Hong Kong and Shanghai Banking Corp and the Bank of China in June last year came from the Exchange Fund.

It is believed that depending on circumstances, the government can deposit some of the Exchange Fund money into a bank as a means of solving the bank's temporary liquidity problem.

While that might have occurred in the case of Ka Wah, it is impossible to confirm as the affairs of the Exchange Fund are kept confidential.

But bankers close to Ka Wah said the credit facilities were structured on commercial terms and were still in place for the bank.

Mr Nendick said he could not comment on the operation of the Exchange Fund, adding there was no fixed policy on how the government assisted troubled banks.

Decisions have to be taken in light of the circumstances at the time. The preferred solution is, of course, for the banks themselves to sort out their problems. In the process, the government can act as a catalyst, Mr Nendick said.

HONG KONG

MALAYSIAN POLITICIAN'S ARREST TRIGGERS HONG KONG STOCK PLUNGE

HK221032 Hong Kong AFP in English 1012 GMT 22 Jan 86

[Text] Hong Kong, Jan 22 (AFP)--Local stocks today plunged across the board by nearly 40 points amid shockwaves emitted from the detention of Malaysian tycoon Tan Koon Swan in Singapore yesterday.

The Hang Seng index finished the half day session at 1,737.94, down 38.25 points, to its lowest score this year.

Having opened sharply lower, almost all leading share prices continued to plummet on a flurry of selling triggered mainly by the Singaporean authorities' detention of Mr Tan after investigations into Singapore-based Pan-Electric industries' near-collapse, dealers said.

The dealers said many investors here linked the incident to the fate of the locally-incorporated Ka Wah Bank, which was known to have high loan exposure in some Malaysian companies reportedly linked to Mr Tan.

Ka Wah was currently negotiating a takeover deal by a Chinese state-run company, China International Trust and Investment Corp (CITIC), which was expected to take up as much as 90 percent of the bank's controlling stakes.

The market was wide with speculation that the Chinese might have second thoughts about the Ka Wah deal after what had happened in Singapore, the dealers added.

Total turnover on all four exchanges was 238.84 million Hong Kong dollars (30.6 million U.S.), against 278.42 million dollars (35.7 million U.S.) recorded in yesterday's full-day session.

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CSO: 4020/211

HONG KONG

PROVISIONAL 1985 TRADE FIGURES FOR HONG KONG RELEASED

HK250642 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 25 Jan 86 p 1

[By Robert Mayerson and Dawn Leonard]

[Text] A year-end export mini-boom brought a little much-needed cheer to Hong Kong's trade pattern as last month's domestic exports rose 3.8 percent over the December 1984 figure -- the first gain in nine months.

But the total for the year, according to provisional results released yesterday by the Census and Statistics Department, was a discouraging 5.8 percent drop in shipments of local products.

A government spokesman said last month's increase indicates the export slump may have bottomed out, but analysts warned it may be premature to celebrate after a single months' increase.

Yesterday's figures, however, show the continuation of another worrying trend.

Re-exports, which had been growing at levels exceeding 50 percent earlier in the year, advanced only 4.9 percent last month in the year-on-year comparison, as China's foreign currency squeeze affected purchases of local products.

The re-export account still grew faster than domestic exports, however, and the share of total exports accounted for by shipments of local products further declined to 56.6 percent.

For last year as a whole domestic exports were worth \$129.88 billion, re-exports were up 26 percent to \$105.27 billion and imports rose 3.6 percent to \$231.42 billion.

As a result, the year ended with a \$3.73 billion surplus compared with a \$1.93 billion deficit for 1984.

This was the first time in more than 10 years that the annual visible trade account has been in the black.

But with the apparent demise of the re-exports boom, the steady increase in the value of imports is likely to catch up quickly, and last year's surplus may turn out to have been a flash in the pan.

Last year was also the first time since 1975 that domestic exports failed to grow.

Analysts attributed the poor export performance to the sluggishness of the U.S. economy, the relative strength of the Hong Kong dollar and protectionist moves in major markets.

They also said the spectacular success of local exports in 1984 made last year's performance look worse than it really was.

In fact, compared with 1983, domestic exports last year were ahead 24 percent--an acceptable growth rate over two years.

The analysts noted that a similar factor is likely to affect the trade figures in the months ahead.

Since last year's export performance was disappointing, figures for this year are bound to appear healthy in comparison.

For last month alone, domestic exports were worth \$12.23 billion, re-exports totalled \$9.46 billion and imports were up 9.2 percent to \$22.18 billion.

The month's account was in deficit to the tune of \$389 million.

Compared with November, domestic exports jumped 7.7 percent, re-exports rose 8.5 percent and imports were ahead 9.2 percent.

Meanwhile, another report by the Census and Statistics Department shows the cost of living for low income households rose 3.2 percent last year compared with 1984, while prices for middle-class families rose 3.5 percent.

Figures show the consumer price index (A) for the whole of last year rested at 159.8 and the consumer price index (B) at 160.1.

The CPI (A) and CPI (B) for last month alone jumped 2.7 percent and three percent, respectively, compared with December 1984.

Prices of fresh sea products, electrical goods, television sets and sound equipment were the most expensive commodities.

So was eating out.

Compared with November, the index for foodstuffs actually showed little change in both CPI (A) and CPI (B).



The increase in prices of fresh sea products and for restaurant meals were largely offset by the drop in the price of fresh vegetables.

Although going on a package tour or to a nightclub or discotheque was more expensive, the price of clothes and shoes fell.

Durable goods rose 1.3 percent in CPI (A) and 0.9 percent in CPI (B) due to higher cost of electrical appliances, television sets and hi-fi equipment from Japan.

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